

EAST OF SCOTLAND OBJECTIVE 2 PROGRAMME 2000 - 2006

MONITORING COMMITTEE

**PROGRAMME EXECUTIVE OFFICES, ENTERPRISE WAY, CARNEGIE CAMPUS
SOUTH, DUNFERMLINE**

5 MARCH 2001

Note of Meeting:

Present:

Colin Imrie (Convener)	Scottish Executive Development Dept.
Alan Boyle	West Fife Enterprises
Cllr. Linda Gow	Falkirk Council
Lorna Jack	Scottish Enterprise Forth Valley
Joyce Johnston	Fife College
Graham McKee	Scottish Enterprise Tayside
Julia Palmer	SCVO
Cllr. Raymond Bisset	Aberdeenshire Council
Selma Rahman	Fife Racial Equality Council
Robert Sargent	SEPA
Colin Smith	Angus and City of Dundee Tourist Board
Gordon McLaren	Programme Management Executive (PME)

In Attendance:

Tim Figures	European Commission, DG Regional Policy
Colin Brown	Scottish Executive Development Dept.
Philip Smith	Scottish Executive Development Dept.
Nigel Thomas	Programme Management Executive
Susan Tamburrini	Programme Management Executive
Keith Winton (part)	Edinburgh Technology Fund

1. Introduction

- 1.1 The Convener welcomed everyone to the second meeting of the East of Scotland Programme Monitoring Committee for the period 2000 - 2006.

2. Apologies

- 2.1 Apologies were received from Amanda Harvie (Aberdeen and Grampian Chamber of Commerce), Rhona Grant (Scottish Fishmerchants Federation), Bob Smailes (University of Edinburgh), Cllr David Hamilton (Midlothian Council), Sue Pinder (Scottish University for Industry) and George Thomson (STUC).

3. Minutes of the first PMC meeting on 28 November ES/PMoC/01/1/2 2000

- 3.1 The Convener introduced the paper and noted that the Minutes of the last meeting had been agreed by written procedure following the meeting. Gordon McLaren pointed out that there was an outstanding action point in terms of policy linkages. Committee members had agreed at the last meeting to forward additional information on policy linkages in their respective areas, however nothing had been received. The Committee agreed that this would be an ongoing issue.

4. Matters Arising

- 4.1 Gordon McLaren highlighted that there were three issues to be covered i.e. :
- Revisions to Programme Complement
 - Information from the first Application Round
 - State Aids

4.2 Revisions to Programme Complement

Gordon McLaren emphasised that the Programme Complement should now be the focus for project applicants as it provides the measure level detail. He outlined the changes which had been agreed by the Committee and incorporated into the document. In particular, the section on Food and Drink within the Dundee and Coastal Angus Delivery Plan executive summary had now been agreed by Angus Council and incorporated into the Programme Complement. Also the defining criteria for identifying and

selecting CED areas had also been incorporated into the document. In addition the Ex-ante Evaluation section had been revised to include explanatory text as a foreword which outlined the reasons why the Plan Team had chosen not to reflect fully the views of the Ex-ante evaluator with regard to certain specific elements of the Plan.

- 4.3 The Committee raised a number of issues, in particular members expressed concern regarding the current difficulties faced by the fishing industry. The Convener stated that, whilst the Programme could support activity aimed at diversification out of the fishing industry, activity which was aimed directly at the fishing industry could not be supported by the Programme. Tim Figures agreed and stated that direct support for the fishing industry could be supported under the Financial Instrument for Fisheries Guidance (FIFG). It was agreed that a copy of the action plan for the fish processing industry (developed by Scottish Enterprise Grampian, Aberdeenshire Council and other agencies) should be sent to SEDD to evaluate whether any actions could be supported by the Programme and where complementary measures were available in the Programme.

Action point: Aberdeenshire Council to forward copy of fish processing action plan to SEDD.

- 4.4 Gordon McLaren highlighted that the Programme Complement would be formally published and would also be available on the PME website. The Convener outlined that it was open to the Committee to make changes to the Programme Complement if there was a clear Programme issue identified through the AIR process. Tim Figures informed the Committee that formal Commission approval of the Single Programming Document would be given in about 10 days.

4.5 Information from the First Application Round

Gordon McLaren informed the Committee that, following the IT problems encountered during the ESF Objective 3 and Highlands and Islands application rounds, the PME and SEDD had staffed IT Support Centres in Dunfermline, Dundee and Aberdeen. He stated that the Centres had been a good resource in terms of project development activity but there had not been much take up from partners in terms of technical support. He added that a report on the problems encountered regarding the revised ERDF application form would be submitted to the Scottish Executive as part of the evaluation process. Responding to a question from the

Committee, the Convener stated that the intention of the revised application and claims forms was to enable improved reporting on a complex range of information for accountability purposes.

- 4.5 Gordon McLaren stated that 175 separate applications had been received which represented 132 project proposals. Nigel Thomas added that the applications would be copied to the respective Advisory Groups week commencing 12th March 2001.

4.6 State Aids

Colin Brown outlined the position with regard to State Aids notification. He informed the Committee that last year the Scottish Executive became aware that Scottish Enterprise did not have any schemes notified to the Commission which covered their training, SME support and financial engineering activities from 31 December 1999. Whilst Scottish Enterprise were in the process of preparing notification for these activities, a parallel process was being undertaken by the Commission and this resulted in Block Exemptions being adopted to cover training, support to SMEs and de minimis. He explained that, effectively this means that future schemes run by Scottish Enterprise do not have to be notified to the Commission if they conform to the conditions detailed in the Block Exemption. However, neither formal State Aids notification nor a Block Exemption is yet in place for financial engineering measures. He highlighted a further complication in that the Block Exemption only came into place on 2nd February 2001 and therefore Scottish Enterprise led schemes could only qualify for retrospection back to this date.

- 4.7 The Convener highlighted that it would not be possible to approve projects until State Aids approval was in place. He added that the Local Authorities had block approval for their schemes which had been in place for some time. The Committee noted that Scottish Enterprise was a key player in terms of economic development activities. The Committee agreed that a separate meeting should take place involving Scottish Enterprise, The Scottish Executive and the PME to further discuss this issue. Tim Figures stressed the importance of applicants being aware of State Aid requirements. He added that it was hoped that a similar Block Exemption could be adopted for financial engineering schemes, however this would be a longer process. In the meantime the Commission had produced a model for these types of projects, based on the experience of successful applications in Merseyside (Merseyside Investment Fund). Provided projects conformed to this model then State Aids requirements should be met. He

added however, that project sponsors hoping to develop venture capital funds should refer to the PME for advice.

Action Point: Meeting to take place between Scottish Enterprise, Scottish Executive and PME to discuss implications of the above.

5. Membership of Programme Management Committee and Advisory Groups ES/PMoC/01/1/4

5.1 Gordon McLaren outlined the criteria used in selecting members for the Programme Management Committee and Advisory Groups. In particular, he emphasised the importance of achieving a balance in terms of the key constituencies, geography of the Programme Area and knowledge of the development priorities and strategic sectors. He also highlighted that for the Advisory Groups, particular emphasis had been placed on appropriate expertise and/or experience in the key development themes, strategic sectors and locations and the horizontal themes. He added that there was a vacancy on the Strategic Locations and Sectors Group for a Research Institute representative.

5.2 The Committee asked a number of questions regarding the paper. In particular members queried the National Trust for Scotland representing the Tourism sector on the Programme Management Committee as they were more effectively engaged in conservation than tourism. The Committee agreed that the National Trust for Scotland should represent the Conservation sector as this more accurately reflected their role. The Committee also asked a number of questions about the nominations received and the selection process. It was agreed that information regarding the nominations and selection process should be forwarded to Committee members. It was also recognised that there would be scope to review the membership of the PMC and Advisory Groups once the Programme was underway.

Action Point: PME to forward information regarding nominations received and selection process to Committee members. PME to change sector for National Trust to Conservation.

Committee Decision: The Committee agreed to the recommendation detailed at para 3.1.1. They also agreed that the membership of the PMC and Advisory Groups would be reviewed early in 2002.

6. Compliance Procedures

ES/PMoC/01/1/5

- 6.1 Phil Smith introduced the paper and stressed the need for project sponsors to be aware of the reporting requirements and the emphasis in the current Programme on spend rather than project commitments as had previously been the case.
- 6.2 Nigel Thomas added that the PME had stressed the importance of implementation at the Application Seminars which were held in October 2000, and that this requirement would be further emphasised at the Claims Seminars to be held later in the year. He also indicated that the new requirements would have a major implication on PME resources. The new Management Information System should help reduce the burden.
- 6.3 The Committee discussed the contents of the paper and raised a number of issues. In particular, concern was expressed over the new requirement for all co-finance for a project to be in place before approval can be given. Committee members highlighted that this can be problematic, particularly with infrastructure projects for the F.E./H.E. sector, as the new Further Education Funding Council also requires 50% of all co-finance to be in place before approval can be given. Nigel Thomas stressed the need for all project funders to begin discussions at an early stage in the project development phase to ensure all funders are aware of each others requirements. The Convener added that it was important that the European Regulations were understood at a senior level with the Further Education Funding Council. Another issue raised by the Committee concerned the need for project sponsors to operate a cashbook accounting system for ERDF projects. However, many organisations, particularly the voluntary sector, operate an accruals system. The Convener clarified that European Regulations stipulate a system based on payments actually made ("defrayed").

Committee Decision: The Committee noted the compliance procedures to be applied to all ERDF funded projects.

7. PME Progress Report

ES/PMoC/01/1/6

- 7.1 Gordon McLaren introduced the paper and explained that the format of the report was an interim arrangement, as a standard reporting format had not yet been agreed with the Scottish

Executive and the ESEP Board. He added that as this report had been prepared in advance of the first application deadline it did not cover certain key business areas and that a more comprehensive report would be available for the next committee meeting on 10 September 2001. The Convener stressed the need for performance measurement systems to be developed.

- 7.2 Members of the Committee, having sought the views of their colleagues, endorsed the work of the PME, particularly with regard to guidance to applicants and praised the helpfulness of the PME staff during the submission of applications.
- 7.3 Tim Figures clarified that the PME is responsible for the final evaluation for the Eastern Scotland Objective 2 Programme 1997 – 1999 and that this was financed through Technical Assistance under this Programme. However, he added that the responsibility for the final evaluations of the two Objective 5b Programmes i.e. Rural Stirling & Upland Tayside and North West Grampian remained with the Scottish Executive. The Convener agreed and suggested that the PME should feed into this process.

Committee Decision: The Committee noted the contents of the interim progress report.

8. Annual Implementation Report and Annual Review ES/PMoC/01/1/7

- 8.1 Gordon McLaren outlined the new reporting framework for the Annual Implementation Reports (AIRs) and Annual Review Documents for the Programme. He explained it was too early in the Programme to produce a substantial Annual Implementation Report (AIR) as the new Programme had only just been launched. The first full AIR would be available in April 2002 and would refer to activity in 2001.
- 8.2 The Convener outlined the role of the Committee in the Annual Review process, in particular to examine and approve the AIR prior to its submission to the Scottish Executive and onward transmission to the Commission, and to consider its implications in taking the Programme forward. The Programme Monitoring Committee would have a particularly valuable role in the review element of the whole process.

Committee Decision: The Committee noted the purpose, contents and reporting framework for annual reporting and review.

9. Annual Reports

ES/PmoC/01/1/8

- 9.1 Nigel Thomas introduced the paper and explained that the report covered activity relating to 3 years in the former Eastern Scotland Objective 2 Programme, i.e. the whole of the 1997 – 1999 Programming period, following agreement from the Commission and the Scottish Executive. He highlighted that as the bulk of the 1997 – 1999 Programme had been committed in the last year i.e. 1999, the impacts would not be realised until 2001-2002. He stressed the need to avoid this situation in the current Programme.
- 9.2 The Convener advised the Committee of their responsibility, as detailed in the Terms of Reference, to approve the annual report for the 1997 – 1999 Programme. Phil Smith advised the Committee that the annual reports for the two Objective 5b Programmes i.e. Rural Stirling & Upland Tayside and North West Grampian had been completed and submitted covering activity up to 1998. He added that the 1999 Annual Report has still to be finalised and that the Committee would receive all the reports once finalised.

Committee Decision: The Committee agreed the progress report for the Eastern Scotland Objective 2 Programme 1997 – 1999.

10. Monitoring and Progress Reports on Risk Capital Funds ES/PmoC/01/1/9

- 10.1 Gordon McLaren introduced the paper and explained that the attached reports represented annual activity reports for the two risk capital funds rather than evaluation reports. He explained that both funds were approved with the requirement that a report on the activities of the fund should be produced for each calendar year, submitted to the Programme Monitoring Committee for approval and subsequently transmitted to the European Commission.
- 10.2 Gordon McLaren highlighted the key points from the annual report on Eastern Scotland Investments (ESI) and informed the Committee that the Fund Managers were confident that the Fund would be fully invested by the end of December 2001.
- 10.3 The Committee asked a number of questions regarding the activity report. In particular, they were interested in the redistribution of profits at the end of the ten years of the funds

existence. Gordon McLaren explained that the fund had been set up with a high degree of transparency in terms of the redistribution of profits, and that a package had been agreed with the various investors and approved by the Commission. Tim Figures added that although the ERDF element would not be repaid it would be the responsibility of the project sponsor to ensure it was used for economic development purposes. Gordon McLaren advised the Committee that there were now tighter rules on the redistribution of profits for risk capital funds which would apply to any funds approved in this Programme.

- 10.4 The Committee also debated if there was a continuing market gap for subsequent risk capital funds in the Programme Area. Whilst the Committee recognised that two new fund proposals had been received by the PME, they agreed that there would have to be a formal independent evaluation of the current funds before any new activity could be approved and that this issue should be discussed at the next meeting. They further agreed that the evaluations should be carried out soon and that the relevant Advisory Group should appraise both applications and advise to the Programme Management Committee on an agreed way to take this issue forward.
- 10.5 Keith Winton, Chief Executive of the Edinburgh Technology Fund (ETF), gave a short presentation on the activities of the Fund since approval in December 1999. He then responded to questions regarding the report. The Committee noted that within the reports for both funds "investor readiness" had been recognised as a major barrier to SMEs accessing funding. The Convener highlighted that this should be an important area for any future developments in the investment fund market. He also added that the new proposals may be subject to further work depending on the outcomes of the evaluations.

Action Point: Independent evaluations to be undertaken for both ESI and ETF before any new funds can be approved.

Committee Decision: The Committee noted the reports for both Funds. However, they noted that these were activity reports and not formal evaluations. They also agreed that the issue of future risk capital funds should be discussed at the next Committee Meeting.

11. **Proposal to Establish A Sustainable Development Policy Group** ES/PMoC/01/1/10

- 11.1 Gordon McLaren introduced the paper and explained that the Group would take forward the work of the Pilot Project in order to promote and ensure the effective integration of sustainable development principles throughout the new Programme.
- 11.2 Colin Brown informed the Committee of the existence of a Sustainable Development Forum which was led by the Scottish Executive and updated the Committee on the activities of the Forum to date. He highlighted that the Group would complement the work of the Forum.
- 11.3 The Convener informed the Committee of the existence of an Equal Opportunities Forum and suggested that a similar discussion on the topic of Equal Opportunities should take place at the next meeting.

Action Point: PME to prepare paper on Equal Opportunities for discussion at the next Committee meeting on 10 September 2001.

Committee Decision: The Committee agreed to the recommendations detailed at 6.1.1, 6.1.2 and 6.1.3.

12. Provision of Labour Market and Economic ES/PMoC/01/1/11 Intelligence for the East of Scotland Programme Area

- 12.1 Gordon McLaren highlighted the key points of the paper. The Committee discussed the requirements of Labour Market and Economic Intelligence provision for the Programme. In particular, they highlighted the importance of avoiding "reinventing the wheel" and the need to coordinate activity with the Scottish ESF Objective 3 Programme.
- 12.2 Gordon McLaren agreed that the Committee members views would be incorporated into the technical specification for Labour Market and Economic Intelligence provision.

Action Point: SEDD and PME to prepare proposal, as detailed at 4.1.2 and to send out to Committee members requesting their agreement.

Committee Decision: The Committee noted that a proposal, as detailed at 4.1.2, would come forward for consideration and agreed that this should be dealt with via written procedure.

13. Involvement of the Private Sector

ES/PMoC/01/1/12

- 13.1 The Convener introduced the paper and explained that there had been much debate regarding ways in which the Private Sector could become more involved in the Structural Funds Programmes in Scotland. This would be pursued at a subsequent meeting when the new private sector representative could attend.

Committee Decision: The Committee agreed that involvement of the private sector in the Programme would be best achieved by representation on the Monitoring Committee.

14. A.O.C.B.

- 14.1 The Convener suggested that Objective 2/3 Coordination should be discussed at the next meeting of the Committee.
- 14.2 The Convener highlighted to the Committee that Tim Figures was leaving the Commission as his secondment had now ended. Both he and Gordon McLaren thanked Tim for his assistance over the last three years and in particular, on behalf of the Plan Team, praised his efforts during the approval process of the new Programme.

Committee Decision: The Committee agreed to discuss Objective 2/3 Coordination at the next meeting on 10 September 2001.

15. Date of next Meeting

- 15.1 10 September 2001 at the PME offices in Dunfermline.

**PROGRAMME MANAGEMENT EXECUTIVE
EAST OF SCOTLAND EUROPEAN PARTNERSHIP
MARCH 2001**